Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 06/26/00

GAIN Report # UK0022

United Kingdom

Wine

Marketing Annual

2000

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Report Highlights:

The UK is the world's biggest importer of wine. It is also the key export market for U.S. wine, having achieved rapid growth in the four years 1995-1998. UK imports of U.S. still wine steadied in 1999, growing just 1% to reach 495,000 HL, as competition from other "New World" countries increased. The forecast for 2000 shows U.S. exports to the UK likely to increase by 4% to 510,000 HL, closely following the forecast for overall UK market growth at 3%.

Includes PSD changes: No
Includes Trade Matrix: Yes
Annual Report
London [UK1], UK

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General Summary

UK imports of U.S. still wine increased by 1 percent from 490,000 HL in 1998 to 495,000 HL in 1999. This low growth rate is a result of intensifying competition from other "New World" exporters, particularly Australia and Chile. The forecast for 2000 shows UK imports of U.S. still wine increasing by 4 percent, mirroring the forecast for overall UK market growth at 3 percent. Total third country imports increased by 17 percent in 1999 and are forecast to increase a further 11 percent in 2000 to reach 3,602,000 HL.

In keeping with the recent trend, imports of still wine from the EU decreased by 3.7 percent to 5,413,000 HL in 1999. Her Majesty's Customs and Excise figures show that although volume of still wine imports from France is decreasing, value continues to increase. France is not a lone casualty of the modernization of UK tastes and preferences for still wine, decline in imports from other traditional EU sources such as Italy, Germany and Spain also continues. Total imports of still wine from the EU are forecast to fall by around 4 percent again in 2000 to 5,270,000 HL.

As a result of "Millenium" purchases, the UK market for sparkling wine showed an overall increase in volume of 17 percent in 1999 to reach 429,000 HL and a 33 percent increase in value. France and Spain accounted for the greatest volume increases at 19 percent and 26 percent respectively. The UK import forecast for 2000 shows a return to a level approaching that of pre-millenium years at 395,000 HL.

The market for vermouth and other flavored or aromatized wines is in decline, as is illustrated by the fact that total imports for 1996 were 401,000 HL and fell to just 209,000 HL in 1999. The U.S. does not tally in the UK import figures as a major source for vermouth and other flavored or aromatized wines.

Production

Wine production is difficult in the UK on account of the climate. Historically, it has been a cottage industry for wine enthusiasts and gentleman farmers. Today, there are around 400 vineyards in England and Wales covering about 850 hectares. In 1998, production was recorded at just 11,358 hectoliters. Whilst production is predominately white wine, sparkling, dessert and red wines are now also being produced.

The UK also produces a small quantity of "made wine", which is made from imported concentrated grape must, mainly from Cyprus.

The lack of any significant production volume in the UK means that it does not affect market figures. UK production figures are therefore not represented in the following analyses.

Consumption

As UK production is minimal, consumption figures are equated to imports less exports.

UK Market Size

	1998		1999		Projected 2000	
	HL '000	£ '000	HL '000	£ '000	HL '000	£ '000
Still Wine	8,082	1,388,429	8,449	1,444,405	8,844	1,528,500
Sparkling Wine	398	219,677	496	290,419	442	254,200
Vermouth	296	26,528	198	14,785	227	17,700
TOTAL WINE	8,776	1,634,634	9,143	1,749,609	9,513	1,800,400

Source: Imports less exports as taken from the UK Overseas Trade Statistics.

Wine consumption continues to grow, mainly at the expense of beer and spirits. It is also worth noting that this is against a background of total alcoholic beverage consumption falling in the UK.

UK Per Capita Consumption of Alcoholic Beverages

Year	Beer (L)	Cider/Perry (L)	Made Wine (L)	Wine of Fresh Grapes (L)	Spirits (LPA)
1987	138.6	6.99	1.22	13.59	2.12
1990	139.8	7.86	1.51	14.23	2.10
1992	130.3	9.40	1.86	14.53	1.84
1995	125.2	11.80	3.00	15.28	1.67
1997	128.3	11.58	3.43	17.54	1.77
1998	123.0	11.61	3.45	18.23	1.66

L = Liters; LPA = Liters of Pure Alcohol
- Based on population aged 15 years and over
- Made wine is produced from imported grape must which is blended and bottled in the UK
Source: The Drink Pocket Book, 2000

Relative UK Market Share by Wine Type

	Market Shares, percent			
Wine Type	1995	1996	1997	1998
Wines of Fresh Grape	**83.6**	**77.0**	**83.6**	**84.1**
Still Light Wine <15% ABV	67.7	63.4	71.2	71.9
Sparkling Wines:	8.4	7.1	6.6	6.6
- Champagne	1.5	1.4	1.6	1.8
- Other Sparkling	2.1	2.2	2.3	2.2
- Semi-sparkling	4.7	3.5	2.8	2.6
Fortified Wines	4.3	3.8	3.4	3.3
Vermouth/Aromatized	3.1	2.8	2.4	2.2
Made Wine	**16.4**	**23.0**	**16.4**	**15.9**
Still Light Wine <15% ABV	5.8	4.9	4.6	3.7
Reduced Alcohol >1.2% <5.5% ABV	10.5	17.8	11.5	12.0
Sparkling Wine	-	-	-	-
Fortified Wine	0.2	0.2	0.2	0.2
TOTAL MARKET	**100.0**	**100.0**	**100.0**	**100.0**

Source: HM Customs & Excise; WSA/ACNielsen; The Drinks Pocket Book, 2000

The tables below shows consumption according to age, gender and social group. Heavy users of table wine are of the 35-49 years of age category and classified within the AB socio-economic group.

Percentage of People Drinking Wine Weekly by Age Group 1998

Age Group	%
18-24	24
25-34	31
35-49	35
50+	28

Percentage of People Drinking Wine Weekly by Social Grade 1998

Group	%
AB	50
C1	36
C2	24
DE	15

Social Grade Definitions:

AB Upper Middle/Middle Class i.e. higher/intermediate managerial professional
C1 Lower Middle Class i.e. junior managerial professional
C2 Skilled Working Class i.e. skilled manual worker
DE Working Class i.e. unskilled manual worker

Profile of Wine Drinkers: by Wine Color 1998

Wine Color		White %	Red %	Rose %
SEX	Men Women	35 65	53 47	32 68
AGE GROUP	18-24 25-34 35-49 50+	8 21 31 41	6 19 35 41	7 21 29 44
SOCIAL GRADE	AB C1 C2 DE	33 34 19 15	42 34 14 10	38 31 15 16

Base = 7 Day Drinkers
Source: The Drink Pocket Book, 2000

White wines have historically been the most popular in the UK, particularly with women. As white wine is generally lighter and cheaper, it is "entry level" wine favored by new consumers entering the market, while red wine tends to be more of an acquired taste and associated with an older age group. However, the maturity of the UK market and its increasingly discerning consumer has led to trade sources recently reporting that red wine is now outselling white. The success of red wine in recent months can largely be attributed to favorable media reports on the fact that moderate daily red wine consumption can benefit a healthy diet and lifestyle and reduce the chances of having a heart attack.

Wine is consumed either in on-license premises i.e. pubs, clubs, restaurants and hotels or is bought from an off-license and consumed at home.

The Top 5 Wine Brands, 1998 for Still Light Wines

	Off-License	On-License
1	Gallo	Stowells Wine Box
2	Hardy's	J. Gautier Vin de Pays
3	Jacob's Creek	Mateus Rose
4	Stowells Wine Box	Gallo
5	Le Piat D'or	Fleur de Lys
Combined Market Share:	8.1%	11.9%

Top 20 Still Light Wines in Off-Licences (Great Britain): Ranking By Type

Rank	Wine Type	Market Share	Rank	Wine Type	Market Share
1	Australian White	6.6	11	Soave White	2.1
2	Vin de Pays Red	6.4	12	South African Red	2.1
3	Liebfraumilch	5.5	13	Vino da Tavola Red	2.0
4	Australia Red	4.3	14	Vallee du Rhone Red	2.0
5	Vin de Pays White	4.1	15	Vin de Table Red	2.0
6	Tafelwein Hock	3.8	16	Vino de Tavola White	1.9
7	South African White	3.7	17	U.S. Red	1.9
8	Bulgaria Red	3.5	18	Rioja Red	1.8
9	Chile Red	2.9	19	U.S. White	1.8
10	Bordeaux Red	2.6	20	Chile White	1.8

Figures are for year to November/December 1998/Ranking is by volume
Source: ACNielsen; The Drinks Pocket Book, 2000

International Trade

Only six years ago, French, German and Italian wines together accounted for around two-thirds of UK still wine consumption by both volume and value. This figure has now dropped below half and is still falling. "New World" producers now hold over a third of the UK market. Australia is the main "New World" source of UK imports , with a share of 14 percent (1,209,000 HL) in 1999. UK imports of U.S. still wine have showed strong growth in recent years -particularly in 1998 which saw an increase of 44 percent in import volume to 490,000 HL. The Market Access Program and U.S. exporter assistance have been instrumental in encouraging this growth. That said, the import volume from the U.S. was forecast to steady in 1999, as indeed it has done, following increased competition from other "New World" wines. However, the U.S. is still holding its own with a 6 percent market share. Of additional interest is that many of the wines from the "New World" countries of Australia, New Zealand and the U.S. are commanding higher average prices in the UK than wines from the traditional markets of France, Italy and Spain. This is an important factor given that all producers are trying to get into the fastest-growing and most profitable niche of "premium wines".

On account of "Millenium" purchases and contrary to the overall recent trend, the UK market for sparkling wine showed an increase in volume of 22 percent and an increase in value of 34 percent. It appears that the U.S. did not benefit from this event, as the volume and value figures for U.S. exports of sparkling wine in 1999 showed a slight decline. The main benefactors of the "Millenium" opportunity were Australia (value up 87 percent), France (value up 33 percent) and Spain (value up 31 percent). The total import volume for sparkling wine in the year 2000 is forecast to return to near 1998 figures.

The market for vermouth and other flavored or aromatized wines is in decline, as is illustrated by the fact that total imports for 1996 were 401,000 HL and fell to just 209,000 HL in 1999. The U.S. does not tally in the UK import figures as a major source for vermouth and other flavored or aromatized wines.

UK Imports

	1998		1999		Projected 2000	
Still Wine	HL’ 000	£ ‘000	HL ‘000	£ ‘000	HL ‘000	£ ‘000
From EU:						
France	2,603	519,869	2,502	524,200	2,430	530,000
Germany	819	106,412	828	98,710	810	96,000
Italy	1,092	179,129	1,095	150,339	980	155,000
Portugal	163	53,571	167	51,269	170	50,000
Spain	868	146,250	789	129,404	830	140,000
Other	74	13,250	32	10,157	50	12,000
Total EU	5,620	1,018,481	5,413	964,079	5,270	983,000
From Third Countries:						
Hungary	112	12,521	110	12,599	115	13,000
Bulgaria	212	17,601	215	20,094	210	20,000
USA	490	93,958	496	92,051	510	96,000
Chile	356	57,738	460	78,615	520	90,000
Argentina	92	13,037	109	17,240	122	21,000
S. Africa	410	54,811	459	61,188	520	67,000
Australia	891	172,938	1,209	238,293	1,400	265,000
New Zealand	80	21,962	90	25,371	100	28,000
Other	127	21,517	95	23,123	105	25,000
Total Third Countries	2,772	466,084	3,243	568,574	3,602	625,000
Total Still Wine	8,392	1,484,565	8,656	1,532,653	9,032	1,608,000

UK Imports Continued

	1998		1999		Projected 2000	
Sparkling Wine	HL '000	£ '000	HL '000	£ ' 000	HL '000	£ '000
From EU:						
France	219	176,013	260	233,643	225	200,000
Italy	63	13,788	67	16,515	65	16,000
Spain	70	16,250	88	21,233	72	18,000
Other	14	5,852	14	9,964	13	6,000
Total EU	365	211,903	429	281,355	375	240,000
From Third Countries:						
USA	11	5,796	10	5,115	11	5,500
Australia	28	7,053	51	13,162	32	8,500
New Zealand	12	3,924	15	4,919	13	4,200
Other	3	1,356	5	2,850	3	1,500
Total Third Countries	54	18,130	81	26,046	59	19,700
Total Sparkling Wine	419	230,033	510	307,401	434	259,700

UK Imports Continued

Vermouth & Other Wines Flavored With Plants or Aromatic Substances

	1998		1999		Projected 2000	
Vermouth etc.	HL ‘000	£ ‘000	HL ‘000	£ ‘ 000	HL ‘000	£ ‘000
From EU:						
France	48	6,422	52	5,645	50	5,500
Netherlands	23	1,943	17	2,077	18	2,000
Germany	n/a	n/a	9	1,039	8	1,000
Italy	167	15,491	125	11,095	135	13,000
Spain	53	2,487	6	456	25	1,400
Other	14	1,945	0.1	173	1	400
Total EU	306	28,288	209	20,485	237	23,300
From Third Countries:						
USA	-	-	-	-	-	-
Other	0.1	16	0.02	12	0.05	50
Total Third Countries	0.1	16	0.02	12	0.05	50
Total Vermouth Etc.	306	28,304	209	20,497	237	23,350

UK Exports

	1998		1999		Projected 2000	
Still Wine	HL '000	£ '000	HL '000	£ ' 000	HL '000	£ '000
To EU:	271	42,896	149	28,508	140	26,000
To Third Countries:						
USA	7	24,825	15	31,987	12	25,000
Japan	3	7,687	2	6,525	3	7,500
Hong Kong	4	6,126	3	5,980	3	6,000
Other	26	14,602	38	15,248	30	15,000
Total Third Countries	39	53,239	58	59,740	48	53,500
Total Still Wine	310	96,136	207	88,248	188	79,500
Sparkling Wine						
To EU:	14	4,907	8	3,774	10	4,000
To Third Countries:						
USA	2	3,301	3	9,975	10	4,000
Other	4	2,149	3	9,975	2	3,500
Total Third Countries	7	5,449	6	13,208	5	6,500
Total Sparkling Wine	21	16,356	14	16,982	15	10,500

UK Exports continued

Vermouth & Other Wines Flavored With Plants or Aromatic Substances

	1998		1999		Projected 2000	
Vermouth Etc,	HL ‘000	£ ‘000	HL ‘000	£ ‘ 000	HL ‘000	£ ‘000
To EU:	6	1,244	9	4,862	7	5,000
To Third Countries:	4	532	2	850	3	650
Total Vermouth Etc.	10	1,776	11	5,712	10	5,650

Source: Overseas Trade Statistics of the United Kingdom
Import Values are based on CIF, landed UK port
Export Values are based on FOB

Exchange Rates:

December 1998	£ 1 = USD 1.65
December 1999	£ 1 = USD 1.61
June 2000	£ 1 = USD 1.55

Opportunities for U.S. Wines

The UK wine consumer is becoming increasingly discerning and expects quality at a very reasonable price. It is in the lower price range that the U.S. has difficulty in competing. In order to move volume of product through the UK mainstream multiple supermarkets and specialists, the U.S. would need to supply a good quality wine within the £ 3.49 - 4.99 price range.

UK Consumers are becoming increasingly knowledgeable about grape varieties. Consumers who have bought the well established grape varieties of, for example, Cabernet, Sauvignon and Merlot are looking for new tastes, and are prepared to try new varieties and different "parcels" of varieties. Zinfandel and Syrah are still relatively unknown to the UK mass market and could present an opportunity for promotion, particularly if they could find a niche like that enjoyed by Australian Shiraz..

Competition

Traditionally, the UK has favored the wines of its European neighbors, but in the last decade this has been eroded by a surge of good quality styles from the rest of the world. Despite the duty placed on wine from third countries, a retail price can still be attained that is competitive with wine from the EU. To ensure ease in entering the UK market, it is important that the regulatory requirements are adhered to. Market access may otherwise be denied or shipments held in storage until the requirements have been satisfied.

White wine price comparison within Safeway Supermarkets

	No. of Wines	Prices inc VAT	Main £ points	No. of wines at main £ point
Germany	22	1.95 - 7.99	3.99	8
W. Burgundy	10	4.99 - 17.99	16.99	2
California	12	3.99 - 8.49	3/4.99	3
Australia	40	3.49 - 9.99	4.99	7
New Zealand	12	3.99 - 9.99	6.99	3
Chile	12	3.49 - 9.99	4.49/99	2
South Africa	25	2.99 - 8.99	3.99	6

Note: This table is for a quick guide only. Statistics concern only Safeway stores.
Source: Wine & Spirit International Magazine/Safeways Stores plc

France: The regions of Alsace, Burgundy, Bordeaux (particularly red wine), Rhone and the

Loire continue to do well in the UK market, albeit from an 'exports down-value up' type pattern. Trade sources report that it was predicted that the south of France (Languedoc-Roussillon/Cotes de Provence) would suffer on account of competition from the New World, but in reality Vin de Pays remains very strong. Beaujolais is a struggling region, according to Douanes Francaises figures to the UK from this region are down both in volume (-18.5 percent) and value (-8.3 percent). Predictions for the future of France are: that well made wines will continue to do well, however those trading on the strength of name alone will find the going increasing difficult.

Germany: The style of wine (described as thin fruit with high levels of residual sugar) which has been historically supplied by Germany has fallen out of favor with the UK consumer. The last 20 years has seen the UK market move from sweet to dry, and move from "Old World elegance" to "New World fruit". According to UK trade sources, Germany's problem of falling volumes of imports is compounded by the fact that the average across-the-counter selling price for their wine in the UK is almost £1.00 ($1.60) lower than most of its rivals. While German wine sells for an average price of £2.65 ($4.32) the national average price for light wine is £3.63 ($5.91). This statistic will have a long term impact since UK consumers are not accustomed to trading up for German wine.

Italy: Italian best sellers in UK supermarkets remain Lambrusco, Soave and Valpolicella: low priced wine styles that could almost be perceived as commodities and are often sold as buyers-own-brands. However, some Italian producers are now making wines specifically conceived for the UK market. Their approach is to try to satisfy the fickle UK consumer with innovative varietals or blends while remaining true to their regional and traditional roots. An example of this is a new blend of Marzemino and Sangiovese, to be sold at the £4.99 mark. Pinot Grigio too is doing particularly well in the UK: this has become fashionable among young and sophisticated consumers and sells well in both restaurant and retail outlets.

Spain: Although the 1999 figures for Spanish imports into the UK are down from 1998, the long-term trend for Spain is still upwards. Spain: the fifth biggest player in the UK, is tenth in terms of average price per bottle. However, the country's status as a cheap wine provider is changing. The most radical price rises have been in regions such as Ribera, Rioja and Somontano, although price rises are occurring for Spain generally nationwide. The speed with which high prices have been introduced has altered the geographical mix of Spanish wines in the UK. That said, there is considerable resistance from UK consumers to new regions, and with Spanish reds entering the £4.00-6.00 level, there is strong competition from most other suppliers. Trade sources report that UK importers from Spain see the future in new-style "winemaker wines" from regions such as Calatayud: appealing, fruit-driven creations in neat packaging at a competitive price which are designed to excite the consumer.

Australia: The story of Australian wine in the UK is one of unqualified success, far exceeding even the most optimistic expectations from ten years ago. Since 1995 alone, Australian wine's market share has risen from 4 percent to nearly 14 percent in 1999. Now the UK's number two country of preference both in volume and value, Australia also enjoys the second highest average bottle price behind New Zealand. Indeed some trade sources predict Australia will overtake France for the number one slot over the next three to four years. Australia's success is said to lie in consistent quality and in its immense diversity of styles. There are reports of oversupply from Australia, particularly of Chardonnay and perhaps of red wine in 2-3 years.

New Zealand: The UK represents 70% of all New Zealand's exports. Although New Zealand's presence in the UK market in volume terms is small; it's position as a quality driven-niche product has meant that it commands the highest average retail price. While the average retail price for French wine in 1999 was £3.59 ($5.74), the average retail price for a bottle of New Zealand wine was £5.39 ($8.62). As a result, in recent years New Zealand's business has been driven more by the UK multiple specialist retailers such as Oddbins, rather than supermarkets. However, trade sources indicate that this is changing. Consumer education efforts by the UK mainstream supermarkets through Drinks Clubs, Wine Tasting Events etc. are adding to the growing tendancy of the UK consumer to "trade up", and as a result more costly wines are benefiting.

Chile: The perception of Chilean wine by UK trade and consumer alike is very positive. It is summed up by affordable, reliable and flexible. Since it first entered the UK market in 1988, Chile has increased it UK exports fifty-fold. Chile's average per-bottle price in the UK is £3.83 ($6.32), the fourth highest in the UK. Only New Zealand, Australia and the U.S. are more expensive. In 1999, for the first time the UK overtook the U.S. to become Chile's number one export market. Chile has been particularly lucky in that its red/white split has mirrored UK (also global) consumption trends towards reds and away from whites. Generic promotions in the UK began in 1994 and have included extensive advertising campaigns, bottle promotions and TV/press coverage. According to trade sources, Chile is perceived as offering excellent quality wines at a basic entry-level price of £2.99 ($4.80) and really good varietals from £3.99 ($6.40). Cabernet, Merlot, Chardonnay and Sauvignon Blanc are the main varietals in the £5 and under market.

Argentina: The UK continues to be Argentina's most important wine market and shows a healthy upwards sales trend for Argentinian still wine. The majority of Argentinian wine comes from the high yield, high sugar content, low fruit flavour and low cost category, which includes Criolla, Cereza and Tempranilla varietals. In response to the UK's role in shaping the type of fruit quality needed to satisfy international consumers at specific price points, higher quality Argentinian wines, in better bottles and with imaginative labels can now be found in the UK market. These are likely to be of varietals such as Cabernet Sauvignon, Chardonnay, Malbec, Sauvignon Blanc and Syrah.

South Africa: South Africa and Chile both entered the UK market in 1990, when they sold a similar amount. From 1990 to 1994 South Africa increased its UK exports over four times as much as Chile. But from this promising start South Africa's growth has slowed dramatically. South Africa has suffered with the UK's trend towards red wine, since 80% of its plantings have been white.

Distribution

At retail level, wine is sold either through "on-license" or "off-license" premises. In order for an outlet to sell alcohol it is necessary for the retailer to obtain a retailer license, of which there are two types - retail "ON" and retail "OFF". An On-License authorizes an outlet to sell alcoholic beverages for consumption on the premises, whereas an Off-License authorizes an outlet to sell alcoholic beverages for consumption away from the premises.

Over 70% of wine is sold through the off-license trade. Off-license outlets include specialized wine/alcoholic beverage stores and general grocery stores, including the major multiples. As is illustrated in the table below, the distribution of off-license sales can be divided up roughly into one quarter specialist wine/alcoholic beverage shops and three quarters grocery chains i.e. supermarket outlets. On the whole, the supermarkets are price-driven - seeking to reach the all-important price points of £ 3.49, 3.99 etc. while the specialist wine chains seek points of difference across a wider price range.

Large volume orders for UK multiple supermarkets and multiple specialists are placed with UK agents and distributors, who in turn order from the required country source on the multiple's behalf. It is not usual for the UK agent to hold the goods upon entry to the UK, but, rather ensure that they reach the designated distribution depot of the multiple. There are around 100 UK agencies, of various sizes, known to the U.S. Department of Agriculture office at the American Embassy, London.

Larger wineries may have their own UK office, which again does not hold stock, but rather fills orders for the UK multiples. This gives the wine company increased control so as to ensure a quality and consistent service to the multiple.

Still Light Wines in Off-Licences by Outlet, 1998

OUTLET	£ '000	%
Grocers	1,699.6	75.5
Co-ops	104.1	4.6
Multiples	1,450.6	64.5
Independents	145.0	6.4
Specialists	550.7	24.4
Multiples	440.5	19.6
Independents	110.3	4.9
TOTAL	**2,250.3**	**100.0**

The on-licence trade is serviced through UK wholesalers, who may source product from UK agents or from wine producers themselves. Some of the larger restaurant chains source directly from the producer.

Still Light Wines in Great Britain On-Licenses by Outlet, 1998

OUTLET	'000 BOTTLES	'000 HL	%
Multiples	30,906	246	22.9
Independents	90,307	826	77.1
Pubs	20,380	159	14.8
Clubs	15,140	132	12.3
Restricted	31,055	326	30.4
Hotels	15,258	140	13.0
Other Bars	8,473	70	6.5
TOTAL	**121,214**	**1,072**	**100.0**

Note: Restricted means "Member Only" establishments
Source: AC Nielsen/The Drinks Pocket Book, 2000

Market Access

Wines consigned to the European Union from third countries must be accompanied by a document known as a VI FORM which confirms the size and nature of the wine consignment. The provisions dealing with VI documentation may be found in Commission Regulation (EC) 3590/85 (OJ L343) as amended. For subsequent travel through or within EU countries a Commercial Document or a Commercial Accompanying Document is also required.

In addition to a transit document, a T-form will be issued when the wine enters the European Union and this will establish entitlement to EU rates of duty.

Tariff duties are applicable to all third country wine imports. The tariff rate applicable is dependant on the strength band of the wine (i.e. not exceeding 13% volume, exceeding 13% but not exceeding 15% volume, etc.), the size of the container, and the type of wine (i.e. wine of fresh grapes or wine flavored with aromatic extracts). It should be noted that sparkling wine (i.e. a wine having 1.5 bar or more over pressure inside the container or any wine packaged in a bottle fitted with a "mushroom" stopper held in place with metal ties or fastenings is taxed more heavily than still wine.

Tariff quotas, which offer a reduced rate of duty, exist for a range of specific wine varieties from the following countries - Algeria, Bulgaria, Cyprus, Czech Republic, Hungary, Israel, Morocco, Romania, Tunisia and the Former Yugoslavia States.

A CAP Import License is required if a consignment of wine exceeds 3,000 liters. This license can be obtained by the UK importer from:

Intervention Board for Agricultural Produce (IBAP)
Lancaster House
Hampshire Court
Newcastle upon Tyne
NE4 7YE
Tel: (+44) 191 226 5080/5207
Fax: (+44) 191 226 5212

Market access may be denied by Customs & Excise if documentation forms are incomplete. If the labeling is incorrect then the wine will be allowed into bond but will not be released until the labels have been corrected. In either case storage charges are large so it is vital that the correct documentation/labels are provided.

Regulatory Requirements

For the labeling of still wines and grape must (including restrictions on the use of the word “wine”) the following EEC Regulations apply:

a) 2392/89 (OJ No. L232) - as amended by 3886/89 (OJ No. L378), 2356/91 (OJ No. L216), 3897/91 (OJ No. L368) and by the Act of Accession of the Kingdom of Sweden, the Republic of Austria and the Republic of Finland (OJ No. C241) and 1427/96 (OJ No. L184 including corrigendum OJ No. L233).

b) 3201/90 (OJ No. L309) - as amended by corrigendum (OJ No. L28, 2 February 1991) 2384/91 (OJ No. L219), 3298/91 (OJ No. L312), 153/92 (OJ No. L17), 3650/92 (OJ No. L369), 1847/93 (OJ No. L164) (OJ No. L168), 1362/94 (OJ No. L150 including corrigendum OJ No. L268), and 2603/95 (OJ No. L267), 692/96 (OJ No. L97), 1056/96 (OJ No. L140), 609/97 (OJ No. L93) and 1472/97 (OJ No. L200) and 2543/97 (OJ No. L347) apply and should be consulted.

For the labeling of sparkling wines and aerated sparkling wines the following EEC regulations apply:

a) 2333/92 (OJ No. L231) as amended by the Act of Accession of the Kingdom of Sweden, the Republic of Austria and Republic of Finland (OJ No. C241) and 1429/96 (OJ No. L184) and 1419/97 (OJ No. L196)

b) 554/95 (OJ No. L56) as amended by 1915/96 (OJ No. L252) apply and should be consulted.

For the labeling of liqueur wines, semi-sparkling wines and aerated semi-sparkling wines the following EEC regulations apply:

a) 3895/91 (OJ No. L368)

b) 3901/91 (OJ No. L368)

For the labeling of aromatized wines, aromatized wine-based drinks and aromatized wine-product cocktails the following EEC Regulations apply:

a) 1601/91 (OJ No. L149) as amended by 3279/92 (OJ No. L327) and by the Act of Accession of the Kingdom of Sweden, the Republic of Austria and the Republic of Finland (OJ No. C241) and 3378/94 (OJ No. L366) and 2061/96 (OJ No. L277) apply and should be consulted.

The Common Agricultural Policy (wine) Regulations, 1996, SI 1996/696 - the “principal Regulations” as amended by the Common Agricultural Policy (Wine) (Amendment) Regulations, 1997, SI 1997/542. These amending Regulations, which apply throughout the UK came into force on April 1, 1997. Together with the 1996 Regulations they provide for the enforcement of EC

Regulations in the UK, concerned with the production and marketing of wine and related products.

The above regulations are published in Official Journals (OJ) of the European Communities. These are priced publications from:

The Stationery Office, The Publications Centre, PO Bos 276, London SW8 5DT
General enquiries: (+44) 20 7873 0011
Telephone orders: (+44) 20 7873 9090
Fax orders: (+44) 20 7873 8200

There follows an overview of mandatory requirements required for the labeling of third country wines imported into the UK.

For third country wines with no geographical description the mandatory requirements are:

S The word "WINE" } or a combination of these terms
} using "COUNTRY" (as an
S COUNTRY OF ORIGIN } adjective) "WINE"

S NAME AND HEAD OFFICE ADDRESS OF THE RESPONSIBLE PACKER

S LOT MARK

S NOMINAL VOLUME

S NAME AND HEAD OFFICE ADDRESS (INCLUDING MEMBER STATE) OF THE IMPORTER (If the wine is imported already prepackaged)

S ACTUAL ALCOHOLIC STRENGTH

For third country wines described by geographical origin the mandatory requirements are:

S COUNTRY OF ORIGIN

S GEOGRAPHICAL UNIT

S NAME AND HEAD OFFICE ADDRESS OF THE RESPONSIBLE PACKER

S LOT MARK

S NOMINAL VOLUME

- NAME AND HEAD OFFICE ADDRESS (INCLUDING MEMBER STATE) OF THE IMPORTER (If the wine is imported already prepackaged)

- ACTUAL ALCOHOLIC STRENGTH

NOTE: The following descriptions must NOT appear anywhere:

1. “Contains sulphates/sulfates”
2. “Table Wine” - this term is not allowed on any wines coming in from outside the EU
3. “Surgeon General’s Warning” - this is not a recognized authority in the EU

Further explanation of some terms given above:

Lot Marketing

The Food (Lot Marking) Regulations 1996, set out the lot marking requirements to be applied to all foodstuffs sold for human consumption (unless specifically exempted) including wines and spirits. These Regulations implement Council Directive 89/396/EEC (OJ No. L186) on indications and marks identifying the lot to which a foodstuff belongs, as amended by Council Directives 91/238/EEC (OJ No. L107) and 92/11/EEC (OJ No. L65).

In summary, this means that the producer and packer must apply to each unit making up a homogenous group - referred to as a “lot” - a mark identifying the lots from which that unit came. The lot mark may appear anywhere upon the package including the seal, however, it CANNOT appear on the cork. It must be indelible, clearly visible and (although the characters used may be of any size) intelligible to anyone. The mark can be of any length and can comprise of alpha and/or numeric characters. To avoid the forced opening of cases, outer cases should also carry the lot marks of their contents.

Nominal Volume

The nominal volume must be stated on the label and the minimum height of characters used is:

2mm - for containers holding 20cl or less
3mm - for containers holding 21cl - 1 liter
5mm - for containers holding more than 1 liter

The permitted packaging sizes for wine in the EU are:

Product Type	**Sizes Permitted**
Still wine not exceeding 15% vol	10cl, 25cl, 37.5cl, 50cl, 75cl, 1L, 1.5L, 2L, 3L, 5L, 6L, 9L, 10L
Still wine of over 15% vol	any size up to 10cl, 20 cl, 37.5cl, 50cl, 75cl, 1L, 3L, 5L
Sparkling and Aerated Sparkling Wines	12.5cl, 20cl, 37.5cl, 75cl, 1.5cl, 3L, 4.5L, 6L, 9L

Actual Alcoholic Strength

Alcoholic strength is expressed using the OIML (Organization International Metrologique Legale) notation representing the number of parts of alcohol in relation to parts of water in a given quantity measure at the reference temperature of 20 degrees Centigrade.

The strength so determined must be declared on every label either as “x% vol” or “Alcohol x% vol” to the nearest half percent volume i.e. 11% or 11.5% vol, NOT 11.2% vol. The minimum character height for this statement is the same as for nominal volume.

Further information on regulatory requirements can be obtained through:

Ministry of Agriculture, Fisheries and Food (MAFF)
Food and Drink Industry Division
Wines Branch - “C”, Room 201
Whitehall Place (East Block)
London WC1A 2HH
Tel: (+44) 20 7270 8137/8929
Fax: (+44) 20 7270 8733

Wine Standards Board of the Vintners’ Company
Five Kings House
1 Queen Street Place
London EC4R 1QS
Tel: (+44) 20 7236 9512
Fax: (+44) 20 7236 7908

Taxes

In addition to tariff (import) duty, U.S. wine is subject to excise duty and a Value Added Tax (VAT).

Excise duty is payable upon entry into the domestic market. This duty forms the largest tax burden put onto the price of wine. The UK rates of excise duty applied to imported wine are shown in the table below (in strength measured by reference to the following percentages of alcohol at a temperature of 20 degrees Celsius).

Class or Description	Tax type code	Rate of Excise Duty
Sparkling exceeding 5.5% but less than 8.5%	412	£166.70 per HL
Sparkling 8.5% and above but not exceeding15%	411	£220.54 per HL
Still exceeding 6.5% but not exceeding 15%	413	£154.37 per HL
Still or sparkling exceeding 15% but not exceeding 22%	416	£205.82 per HL
Still or sparkling exceeding 22%	419	£19.56 per litre of alcohol in the wine

Source: HM Customs and Excise,
Portcullis House
27 Victoria Avenue
Southend on Sea
Essex SS2 6AL
Tel: +(44) 1702 367330/361979
Fax: +4(44) 1702 367253/361975

Value Added Tax (VAT) is applied ad valorem on the landed price (CIF) on arrival at the EU frontier plus all duties. The current rate of VAT is 17.5%.